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Report Highlights:
Imports of pork and beef are expected to grow modestly in 2003 as demand for meat continues to rise, particularly in urban areas and among middle and upper income consumers. In response to a request from domestic pork producers, the Government of Mexico has announced an anti-dumping investigation on U.S. pork exports. Imports of live hogs for slaughter surged in CY 2002 as Mexican processors and producers took advantage of low market prices in the United States.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Mexico [MX1], [MX]

Executive Summary

Live Cattle & Beef: Mexican cattle inventories are expected to decline slightly in calendar year (CY Jan-Dec) 2003 due largely to a stagnant calf crop and slaughter rates, reflecting continued drought conditions in several northern regions of Mexico. Domestic beef cattle production for CY 2003 is expected to remain unchanged as cattlemen are discouraged by low profitability, imports, and a lack of credit. Domestic beef consumption is expected to remain unchanged from our previous CY 2003 forecast due to competitive prices of imported beef from the United States. Mexico is likely to continue importing grain-fed beef to meet demand from the tourist and restaurant sectors as well as from the general population.

Live Hogs & Pork: Total U.S. hog exports to Mexico in CY 2003 are forecast to reach 150,000 head of which 60 or 70 percent should be slaughter hogs. Through September 2002, total U.S. hog exports for CY 2002 were 217,849 head, almost 5 times higher than the same period in CY 2001 as Mexican producers and processors took advantage of low market prices in the United States

Mexico's larger vertically integrated domestic swine farms have grown during CY 2002 but this growth has been at the expense of small swine farms that have gone out of business. A continued increase in large vertically integrated operations is expected in the future as inefficient small-sized producers continue to leave the industry. With rising imports of live hogs for slaughter and pork, and given the general population growth, and relatively low per capita consumption, increased demand is expected for U.S. hogs and pork products in the coming years. Pork imports for CY 2003 are forecast to remain unchanged from our previous estimate pending the outcome of the recently announced anti-dumping investigation. Exports will remain low due to animal health constraints and relatively high prices for Mexican pork.

Production

BOVINE/BEEF

Cattle production for CY 2003 is forecast to remain unchanged from our previous estimate due in part to the continued drought in northern Mexico, the principal cattle production region. A stagnant calf crop in CY 2002 is estimated due to lower fertility levels. Feedlot placements have also declined because of higher feed costs, particularly for imported grains. Cattle inventories are declining in the northern regions of Mexico as well as the central and southern areas as production costs continue to rise. Competitively priced and rising imports of beef, tight credit, and low profitability have discouraged capitalization and modernization of the cattle and beef sectors.

Dry conditions during the first half of CY2002 forced many cow-calf ranchers in northern Mexico to sell off their genetically superior cows and bulls because they could not afford to buy the required supplementary feed. Currently sales have temporarily halted in the hopes of improved weather conditions and thus better pastures.

Most of the cattle raised in Mexico continue to be grass-fed. As a result of the current sluggish economic conditions, many cattlemen and feedlot operators cannot afford imported feedstuffs. Modernization and implementation of state of the art technology is also very limited. The government of Mexico continues to recommend that cattlemen introduce improved herd management practices, such as electric fences, artificial insemination, and new varieties of grasses to increase rangeland productivity.

PORCINE/PORK

Production for CY 2002 remains unchanged from our previous estimate reflecting the large number of small swine production operations that left the industry as the trend toward vertical integration continues. Larger producers were also affected by higher feed costs, but hog numbers continued to grow and are expected to expand again in CY 2003 as domestic demand for pork continues to grow. Middle-sized operations account for only a small portion of swine production and many are purebred breeders and not commercial producers. Among the vertically integrated operations, there are associations and cooperatives of mid-sized producers who supply the larger processing plants, allowing them to reduce costs considerably and therefore increase efficiency and productivity.

Improved productivity from vertically integrated operations brought swine inventories up during CY 2002. This situation is expected to continue for the first half of CY 2003 when a slight improvement in consumer purchasing power due to the expected economic recovery is likely to encourage output from vertically integrated operations and thus increase swine inventories.

Consumption

BOVINE/BEEF

Yearly beef consumption continues to increase due to growing consumer demand for meat protein and general population growth. Demand is growing more rapidly among the middle and upper classes in larger cities where there is more disposable income. Consumption for CY 2002 also remains unchanged from our previous estimate based on current information from trade sources. Consumption for CY 2001 is revised upward to reflect official data.

PORCINE/PORK

As was expected, in an effort to improve the quality of Mexican sow inventories and at the same time offer pork at affordable prices to consumers, producers slaughtered slightly more hogs than the market needed during CY 2002. If the economy begins to improve, a slight recuperation in consumer purchasing power can also be expected. This should encourage producers to increase output during CY 2003 in response to stronger demand.

Trade

BOVINE/BEEF

Both slaughter cattle and beef imports in CY 2003 are forecast upward from the previous year's figures due to expected improvement in the economy and consumer demand for meat protein. Trade sources estimate that total beef imports from the U.S. will include 90 percent boxed beef and 10 percent beef carcasses in CY 2003. Most of this beef will be rounds and chucks (70 percent) and high quality cuts (30 percent). Beef imports from the U.S. should continue to increase because of competitive prices and quality, while beef from non-NAFTA countries is still subject to high import tariffs and health restrictions due to BSE and Foot and Mouth Disease. Beef imports for CY 2002 remain unchanged from our previous estimate based on current information from trade sources.

Cattle exports to the U.S. for CY 2003 are forecast to remain unchanged from our previous estimate due to expected continued improvement in the control of cattle tuberculosis and brucelosis by the Mexican government, and improvement in the calf crop. Domestic feeder steer exports to the U.S. in CY 2002 are revised upward as a result of the improvement in controlling cattle tuberculosis and brucelosis by the Mexican health authorities. Exports for CY 2001 are revised upward from our previous estimate reflecting final government data.

PORCINE/PORK

FAS/Mexico's CY 2003 total hog import forecast remains unchanged from our previous estimate due to continued and competitively priced U.S. shipments. Hog imports for CY 2002 have been revised upward by 25 percent due to attractive U.S. prices and strong domestic demand. Pork and pork product imports for CY 2003 are forecast to remain unchanged at their high levels due to U.S. pork's price and quality competitiveness. Mexico remains a strong market for U.S. pork variety meats, lard, and greases. Pork imports for CY 2002 are revised upward reflecting more current industry information. Imports for CY 2001 are revised upward reflecting final government data.

Domestic sausage companies continue to use more imported U.S. pork variety meats and mechanically de-boned poultry meat due to attractive prices and high quality. Domestically produced sausages containing imported ingredients, as well as imported sausage, continue to gain market niches in Mexico, particularly among mid and upper-income consumers. While animal health concerns and relatively high prices have limited Mexican pork exports, exporters have established a small niche in Japan. The Mexican pork industry is hopeful that a proposed free trade agreement with Japan will lead to expanded exports in the future.

Policy

BOVINE/BEEF

Last year the Government of Mexico (GOM) unveiled a suit of so-called "agriculture armor," a program of pro-farming strategies, to defend the nation's ailing agriculture sector from imports (See MX2173). According to the Secretariats of Economy and Agriculture, the new "armor" would consist of the government fighting for the elimination of farm subsidies at the World Trade Organization (WTO); the "intelligent" use of legal mechanisms to help national producers match foreign competition; and public and private financing to foment the development of national producers. Farm lobbies such as the National Agriculture Council (CNA) have been campaigning for the United States to reduce its farm subsidies, which the CNA says give U.S. food imports an unfair advantage.

PORCINE/PORK

FAS/Mexico expects continued pressure from Mexican swine producers to reduce imports of pork and mechanically de-boned poultry meat (MDM) and turkey parts. The Government of Mexico is currently considering a rule that would establish domestic standards for ham in an effort to distinguish ham from Turkey ham and manufactured hams. Swine producers claim that rising MDM and turkey parts imports displace utilization of domestic pork. Additionally, the Government of Mexico has initiated a dumping investigation against U.S. pork exports (see MX3004)

Marketing

BOVINE/BEEF

Imports of breeding cattle and animal genetic products into Mexico are normally performed directly by cattle growers, medium and large dairy owners, distributors, and government institutions. In some cases, Mexican cattle buyers receive financial assistance from government-funded programs to purchase animals of high quality genetics. Participation in major national and state livestock shows may provide opportunities for sales of U.S. livestock genetics to Mexican livestock producers.

Marketing promotion programs for U.S. red meats through the U.S. Meat Federation/Mexico City Office continue opening niche markets for U.S. products in the hotel and restaurant trade. Prospects exist in the short and medium terms for increased meat sales fueled by the increase in population and the lack of sufficient domestic production. The development of supermarket chain stores, fast food restaurants and the tourist sector all present opportunities for market growth.

PORCINE/PORK

U.S. companies should consider having a Mexican importer or representative registered with the Secretary of Finance and Public Credit (SHCP) in order to export to Mexico. In addition, it is important for US companies to have someone -- an agent or reliable distributor -- who can maintain regular contact with buyers, interface with the government, handle the requisite paperwork, and ensure that customer service is maintained.

Pork in the retail sector tends to be purchased by consumers in traditional Mexican markets where most butcher shops are located; but increasingly consumers are buying their meat products and special cuts at supermarkets. Supermarkets cater primarily to consumers from the higher socioeconomic classes; however, the recent introduction of discount warehouse stores is making shopping at supermarkets more accessible to the average consumer.

Statistical Tables

PS&D, Animal Numbers, Cattle (1000 Head)

PSD Table						
Country:	Mexico					
Commodity:	CATTLE					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stocks	22551	22551	21396	21296	20666	20066
Dairy Cows Beg. Stocks	2200	2200	2200	2200	2200	2200
Beef Cows Beg. Stocks	11300	11300	11300	11300	11300	11300
Production (Calf Crop)	8750	8750	8800	8800	8900	8900
Intra EC Imports	0	0	0	0	0	0
Other Imports	257	195	200	200	250	250
TOTAL Imports	257	195	200	200	250	250
TOTAL SUPPLY	31558	31496	30396	30296	29816	29816
Intra EC Exports	0	0	0	0	0	0
Other Exports	1142	1280	750	1300	1100	1100
TOTAL Exports	1142	1280	750	1300	1100	1100
Cow Slaughter	1600	1600	1600	1600	1600	1600
Calf Slaughter	1600	1600	1600	1600	1600	1600
Other Slaughter	5100	5100	5110	5110	5120	5120
Total Slaughter	8300	8300	8310	8310	8320	8320
Loss	720	620	670	620	500	500
Ending Inventories	21396	21296	20666	20066	19896	19896
TOTAL DISTRIBUTION	31558	31496	30296	30296	29816	29816

NOTE: All PS&D import and export figures for 2001 are based on official Mexican trade data. All trade matrix figures for 2002 are also based on official Mexican trade data.

PS&D, Meat, Beef and Veal (1000 Head) (K Metric Tons)

PSD Table						
Country:	Mexico				Conversion factor for CWE 1.36	
Commodity:	Cattle, MEAT, BEEF and VEAL					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	8300	8300	8310	8310	8320	8320
Beginning Stocks	0	0	0	0	0	0
Production	1925	1925	1930	1930	1935	1935
Intra EC Imports	0	0	0	0	0	0
Other Imports	426	430	440	440	445	445
TOTAL Imports	426	430	440	440	445	445
TOTAL SUPPLY	2351	2355	2370	2370	2380	2380
Intra EC Exports	0	0	0	0	0	0
Other Exports	10	8	8	8	8	8
TOTAL Exports	10	8	8	8	8	8
Human Dom. Consumption	2321	2327	2342	2342	2352	2352
Other Use, Losses	20	20	20	20	20	20
TOTAL Dom. Consumption	2341	2347	2362	2362	2372	2372
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2351	2355	2370	2370	2380	2380

NOTE: All PS&D import and export figures for 2002 are based on official Mexican trade data.
All trade matrix figures for 2002 are also based on official Mexican trade data.

Animal Numbers, Swine (1000 Head)

PSD Table						
Country:	Mexico					
Commodity:	Swine					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	10649	10649	10569	10569	10549	10729
Sow Beginning Stocks	915	915	920	920	925	925
Production (Pig Crop)	15100	15100	15250	15250	15300	15300
Intra EC Imports	0	0	0	0	0	0
Other Imports	85	85	200	250	150	150
TOTAL Imports	85	85	200	250	150	150
TOTAL SUPPLY	25834	25834	26019	26069	25999	26179
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	15	15	15	15	15	15
OTHER SLAUGHTER	13750	13750	13825	13825	13850	13850
Total Slaughter	13765	13765	13840	13840	13865	13865
Loss	1500	1500	1630	1500	1580	1500
Ending Inventories	10569	10569	10549	10729	10554	10814
TOTAL DISTRIBUTION	25834	25834	26019	26069	25999	26179

NOTE: All PS&D import and export figures for 2002 are based on official Mexican trade data. All trade matrix figures for 2002 are also based on official Mexican trade data.

PS&D, Meat, Swine (1000 Head) (K Metric Tons)

PSD Table						
Country:	Mexico				Conversion factor for CWE 1.3	
Commodity:	Swine, MEAT					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	13765	13765	13840	13840	13865	13865
Beginning Stocks	0	0	0	0	0	0
Production	1065	1065	1085	1085	1100	1100
Intra EC Imports	0	0	0	0	0	0
Other Imports	294	300	300	310	310	310
TOTAL Imports	294	300	300	310	310	310
TOTAL SUPPLY	1359	1365	1385	1395	1410	1410
Intra EC Exports	0	0	0	0	0	0
Other Exports	61	60	60	60	60	60
TOTAL Exports	61	60	60	60	60	60
Human Dom. Consumption	1298	1305	1325	1335	1350	1350
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	1298	1305	1325	1335	1350	1350
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1359	1365	1385	1395	1410	1410

NOTE: All PS&D import and export figures for 2002 are based on official Mexican trade data. All trade matrix figures for 2002 are also based on official Mexican trade data.

Grass Fed Live Steer Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2001	2002	% Change
January	0.731	0.731	0.0
February	0.725	0.732	0.97
March	0.733	0.735	0.27
April	0.744	0.736	(1.08)
May	0.747	0.740	(0.94)
June	0.734	0.740	0.81
July	0.752	0.738	(1.89)
August	0.743	0.736	(0.95)
September	0.743	0.736	(0.95)
October	0.743	1/ n/a	1/ n/a
November	0.741	n/a	n/a
December	0.743	n/a	n/a

Source: National Market Information Service (SNIM)
Note: 1/ n/a not available

Beef Carcass Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2001	2002	% Change
January	1.15	1.17	1.74
February	1.16	1.18	1.72
March	1.17	1.18	0.85
April	1.18	1.17	(0.85)
May	1.19	1.16	(2.52)
June	1.18	1.18	0
July	1.17	1.18	0.85
August	1.14	1.17	2.6
September	1.17	1.16	(0.86)
October	1.18	1/ n/a	1/ n/a
November	1.17	n/a	n/a
December	1.18	n/a	n/a

Source: National Market Information Service (SNIM)
Note: 1/ n/a not available

Finished Live Hog Wholesale Prices in Mexico City
(US$/Lb.)

Month	2001	2002	% Change
January	0.657	0.650	(1.07)
February	0.661	0.581	(12.10)
March	0.656	0.554	(15.55)
April	0.626	0.547	(12.62)
May	0.700	0.550	(21.43)
June	0.698	0.554	(25.99)
July	0.716	0.557	(28.54)
August	0.702	0.552	(27.17)
September	0.680	0.553	(22.96)
October	0.648	1/ n/a	1/ n/a
November	0.616	n/a	n/a
December	0.659	n/a	n/a

Source: National Market Information Service (SNIM)
Note: 1/ n/a not available

Pork Carcass Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2001	2002	% Change
January	0.983	0.998	1.53
February	0.979	0.927	(5.31)
March	1.002	0.931	(7.09)
April	1.008	0.898	(10.91)
May	1.029	0.836	(18.76)
June	1.024	0.838	(22.19)
July	1.020	0.840	(21.42)
August	1.011	0.840	(20.35)
September	0.997	0.842	(18.40)
October	0.997	1/ n/a	1/ n/a
November	0.993	n/a	n/a
December	0.993	n/a	n/a

Source: National Market Information Service (SNIM)
Note: 1/ n/a not available